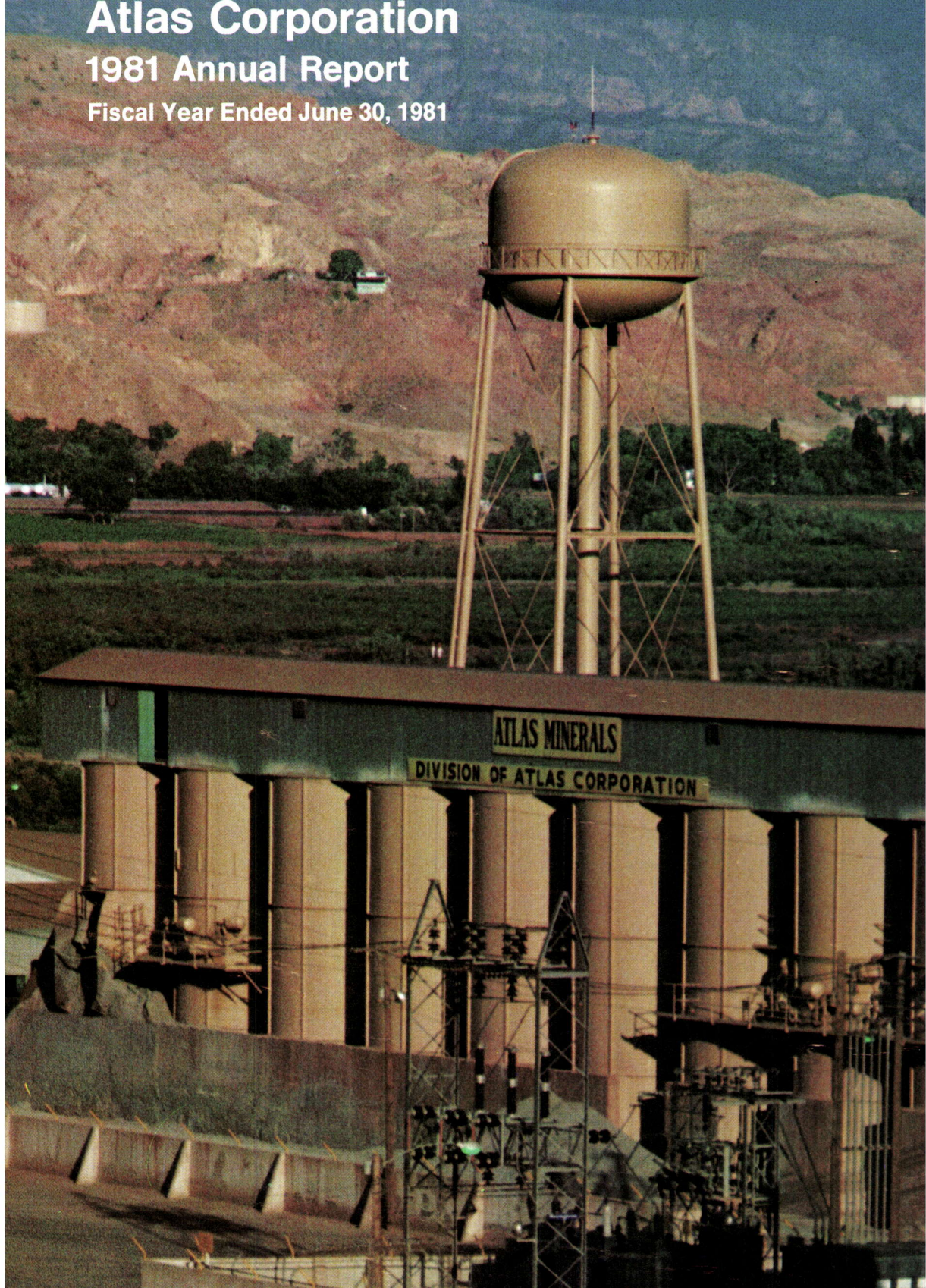


Atlas Corporation

1981 Annual Report

Fiscal Year Ended June 30, 1981



To the Stockholders of Atlas Corporation:

Atlas Corporation had an excellent 1981 fiscal year, which ended June 30, 1981, and we expect that the current fiscal year, which ends June 30, 1982, will be even better. Specifically, the Company had net income of \$8,042,000, or \$2.72 a share, for its 1981 fiscal year, compared to net income of \$1,158,000, or 38¢ a share, for the prior fiscal year. Revenues for fiscal 1981 were \$100,429,000 compared to \$95,472,000 for fiscal 1980.

This improvement in the Company's 1981 financial results was attributable mainly to increased sales of U308 in concentrate and lower production costs of the Minerals Division and an excellent performance by the Company's Brockton Sole & Plastics Division.

The following matters seem worthy of particular note:

1. At this time the Company's Moab, Utah uranium processing plant and the Company's uranium mines which provide ore for that plant are operating better than they ever have.

2. The Company's costs to produce U308 in concentrate, or yellowcake, the product which is produced at the Moab plant, are lower than they have been in a number of years.

3. All deliveries of U308 in concentrate to the Company's customers are on a current basis.

4. Although the interest rate on bank borrowings remained high in fiscal 1981 and continues to remain high, the Company's notes payable to banks were reduced by approximately \$5,800,000 in fiscal 1981, and at June 30, 1981 the total amount of bank borrowings stood at \$28,233,000. Barring unforeseen circumstances it is expected that during the current fiscal year bank borrowings will be reduced significantly.

5. The Company's Brockton Sole & Plastics Division had by far the best year in its history in fiscal 1981. Current indications are that it will have another excellent year in fiscal 1982.

Stockholders should bear in mind that, because of the irregularity of uranium deliveries and price variations during different periods of the year, the only meaningful comparison of the Company's performance with prior periods should be on the basis of fiscal years rather than on a quarterly or even a six or nine months' basis.

THE COMPANY'S FUTURE IN URANIUM

In the Company's 1981 fiscal year, several of the Company's domestic competitors in the business of producing U308 in concentrate either shut down their uranium operations or reduced the level of those operations. Others who had either announced plans to enlarge their existing uranium operations or to enter the business of producing U308 in concentrate cancelled those plans.

This trend has continued since the end of the Company's 1981 fiscal year. These competitors have taken these steps because their current or projected costs to produce U308 are too high to enable them to sell U308 at a profit at current prices. The Company is fortunate in that, partly because the grade of its uranium ore reserves is higher than the average grade of domestic uranium reserves, it is able to produce U308 in concentrate at costs lower than those of most of its domestic competitors. This should enable the Company to compete successfully with those competitors in making future sales of U308 in concentrate on profitable bases. The Company will have to compete for sales with foreign low-cost producers of uranium, including particularly producers in Saskatchewan, Canada and Australia, where there are large ore bodies of high grades which therefore can be produced at relatively low unit costs. The Company is confident, however, that there will be a domestic uranium-producing industry in the future and that the Company is in a good position to participate in it profitably.

THOUGHTS ABOUT THE FUTURE OF NUCLEAR ENERGY

Nuclear power's technology is proven, it is cheaper, cleaner and safer than power produced by any other current fuel on a large-scale basis, and it should continue to remain so. The Company believes that the world, including this country, will have to turn to increased use of nuclear energy in the future to satisfy its needs for electrical power. Apart from the cost, the environmental and the safety advantages of nuclear power, there are other reasons for this belief, some of which are:

1. History shows that there is a direct relationship between the use of energy and electrical power and the standard of living of any given nation. The greater the use of energy and electrical power, the higher the standard of living. The undeveloped nations of the world must and will become developed nations, and this can only be done by their increasing their use of energy and electrical power. They will do this mainly through the use of nuclear power and coal.

2. The developed nations, including the United States, will have to increase their use of energy and electricity not only to maintain their current standards of living but to improve them. They will do this through the use of nuclear power and coal.

3. Many existing power plants throughout the world which are fueled by oil or gas will reach the end of their useful lives as time goes by. They will not be replaced by new oil or gas plants, because reserves of oil and gas are finite and because the threat of new political actions such as the 1973 Arab oil embargo makes that approach risky at best. These plants will be replaced by nuclear and coal powered plants.

This nation cannot afford the luxury of not increasing

our use of nuclear power to produce electricity. The Federal Government will have to recognize this and act in accordance with that recognition. The time for licensing new power plants will have to be shortened, and it can be. The Nuclear Regulatory Commission will have to speed up its procedures to license new nuclear power plants, and it will do that. The efforts of the nuclear energy industry to educate the American people on the benefits of nuclear power will be increased and will be successful, because the facts are there to justify its increased use.

The domestic uranium industry is a national asset of this country, and it cannot go unused. Increased use of nuclear power will benefit the nation as a whole, and particularly the utility customer who will benefit from the lower costs of nuclear power when compared with energy produced from any other fossil fuel. The benefits are there. They cannot be ignored.

Company Operations

The Company has five Divisions, one of which is in the natural resources business, one in the services business and three in manufacturing businesses. Details concerning the operations of each of these Divisions and its performance in fiscal 1981 are as follows:

Natural Resources

ATLAS MINERALS DIVISION

The Atlas Minerals Division conducts the natural resources business of the Company through its main office in Moab, Utah.

The main business of the Division is the selling of U308 in concentrate, produced by the processing in the Company's Moab plant of Company-owned and controlled uranium ores and ores bought from others. In fiscal 1981 the Division sold approximately 1,490,000 pounds of U308 in concentrate.

In fiscal 1981 the Minerals Division sold approximately 2,290,000 pounds of vanadium pentoxide under a contract which provides for the sale by the Division through December 1982 of all vanadium pentoxide produced at the Moab plant and owned by the Company. The base price for this material fluctuates with the market price for the most commonly sold vanadium product.

The Minerals Division continues to seek and examine, mainly in the United States, properties deemed to have the potential for bearing profitable, mineable minerals, particularly uranium. During fiscal 1982 the major concentration of its exploration and acquisition activities involving uranium will probably continue to be in areas tributary to the Moab plant, principally Utah and Colorado. However, in fiscal 1981 the Minerals Division began to acquire a staff of geologists having expertise in searching for precious metals, such as gold and silver.

The Division's activities in exploring for such metals in fiscal 1982 will extend to areas beyond those of its uranium exploration activities.

The Minerals Division achieved both greater sales and profits in fiscal 1981 than it did in fiscal 1980.

Services

INTERNATIONAL ATLAS SERVICES DIVISION

The services business of the Company, both governmental and industrial, is conducted by its International Atlas Services Division headquartered in Oakland, California.

The principal asset of this Division is its 55% interest in Global Associates, a joint venture in which the Division is the managing venturer. Global Associates now has the following contracts in which it has a 100% profits interest, unless otherwise stated:

1. GOVERNMENTAL

a. A contract with the U.S. Army to provide all services necessary to support the day-to-day living requirements of the scientific, technical and military personnel living and working at the Kwajalein Missile Range located in the Marshall Islands in the Pacific Ocean. The Range is used to develop and test strategic missile systems for the United States Defense Department. This contract runs until September 30, 1982.

b. A contract with the U.S. Army to operate a depot at Charleston, South Carolina, for the receipt, storage, maintenance, rehabilitation and issue of watercraft and railroad equipment. This contract runs until September 30, 1982.

c. A contract with the National Aeronautics and Space Administration (NASA) to provide facility support services to NASA's Michoud Assembly Facility near New Orleans, Louisiana. The facility is engaged in the production of the external fuel tanks for NASA's Space Shuttle Program. This contract runs until December 31, 1981, and NASA has options to extend it for two additional one-year periods.

d. An agreement with the Government of the Marshall Islands to provide procurement and traffic management services in support of that Government's public works activities. Under the terms of the agreement, Global receives a fee for purchasing and shipping supplies and materials requested by the Government of the Marshall Islands. This is a new area of business, and similar services are being offered to other Government agencies and commercial customers in the Pacific.

2. INDUSTRIAL

Global has a wholly-owned subsidiary, Global Associates International Ltd., incorporated in Bermuda for the purpose of obtaining, together with a Saudi Arabian

partnership, contracts to perform industrial support services in the Middle East, particularly in Saudi Arabia. Through a Saudi Arabian company formed for the purpose (TAFGA), the following contracts have been obtained:

a. A contract with Arabian American Oil Company (ARAMCO) to provide facility maintenance, food, housing and related services in support of a large construction camp at Abqaiq, Saudi Arabia. This contract runs through May 1982. Global has a 36% interest in the pre-tax profits from this contract.

b. A second contract with ARAMCO to perform services similar to those described in (a) above at Al Hasa, Saudi Arabia. This contract runs through May 1984. Global also has a 36% interest in the pre-tax profits from this contract.

c. A contract with a Saudi Arabian Royal Commission to provide facility operation and maintenance services in support of certain management and construction activities at Yanbu, Saudi Arabia. Global has a 50% interest in the pre-tax profits from this contract, which runs until September 30, 1982.

d. A second contract with the same Royal Commission to provide facility operation and maintenance services in support of three construction labor camps at Yanbu, Saudi Arabia. Global also has a 50% interest in the pre-tax profits from this contract. This contract runs until December 31, 1981, and the Royal Commission has options to extend it for two additional one-year periods.

Global Associates has offices in Oakland, California, Honolulu, Hawaii and, through TAFGA, in Damman, Saudi Arabia, and at its various contract operating sites.

The International Atlas Services Division had a slightly lower profit in fiscal 1981 than it did in the prior year.

Manufacturing

BROCKTON SOLE & PLASTICS DIVISION

The Brockton Sole & Plastics Division produces polyethylene, polystyrene, leather, molded fiber and rubber products, mainly for the shoe industry and the sporting goods industry. It has three plants in Massachusetts and one in Tennessee. The Division acquired the assets of another shoe parts company during the year and also exercised an option to purchase one of its primary production facilities, on which it previously had a lease.

The Division had the best year in its history in fiscal 1981 in both sales and profits. Each were substantially higher than those of the previous year.

CAMDEN LIME COMPANY DIVISION

The Camden Lime Company Division produces precast and prestressed concrete building systems and central

mixed concrete at four plants in New Jersey, with its main office being in Kresson, New Jersey. It also sells masonry building supplies. The Division markets its products in New York, New Jersey, Delaware and Pennsylvania.

Reduced commercial and residential construction activities resulting from high interest rates and a lengthy strike by the carpenters' union in the southern New Jersey area had a depressing effect on the Division's business during the year.

In fiscal 1981 the Division had lower sales and profits than it did in fiscal 1980, but acceptable profits were achieved under the circumstances.

WESTERN SKY INDUSTRIES DIVISION

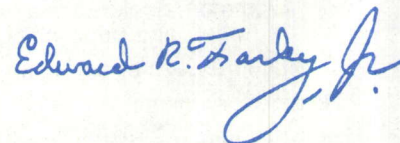
The Western Sky Industries Division manufactures at its plant in Hayward, California, plastic and metal products used widely in the aircraft and automotive industries, as well as in other industries. Although the Division achieved profits, the slowdown in the automotive industry, coupled with scheduled production delays in the commercial aircraft industry, resulted in both lower sales and profits in fiscal 1981 than in fiscal 1980.

PERSONNEL

Mr. Edmund A. Stanley, Jr. resigned as a Director of the Company shortly after the end of the Company's fiscal year 1981. Some months prior to his resignation Ted decided to lighten his business commitments to a very great extent, and his decision to resign as a Director of the Company followed his resignation as Chief Executive Officer of the publicly-held company which he headed. Ted Stanley was a Director of the Company for thirteen years and was a member of several Committees of the Company's Board of Directors. He served in each of these positions with diligence, dedication and seriousness of purpose. He brought wise counsel and sound judgment to their deliberations and he will surely be missed greatly. We wish Ted continued success and, particularly, good health.

General

The annual meeting of the stockholders of the Company will be held in New York, New York on November 17, 1981. Details concerning the meeting will be contained in the notice of such meeting and the related proxy statement which will be mailed to all stockholders.



EDWARD R. FARLEY, JR.
Chairman of the Board and President

September 18, 1981

Balance Sheet

June 30

Assets

Current assets:

	1981	1980
Cash	\$ 4,334,000	\$ 5,331,000
Trade accounts receivable, less allowance for doubtful accounts of \$722,000 in 1981 and \$722,000 in 1980	9,198,000	14,990,000
Other accounts receivable	1,578,000	2,033,000
Inventories	28,215,000	19,359,000
Prepaid expenses and other current assets	1,027,000	444,000
Total current assets	44,352,000	42,157,000
Investment in affiliate	2,357,000	863,000
Property, plant and equipment, at cost:		
Mining	58,253,000	60,825,000
Milling	30,182,000	34,417,000
Manufacturing	10,621,000	10,569,000
	99,056,000	105,811,000
Less, Accumulated depreciation, depletion and amortization	44,626,000	49,787,000
	54,430,000	56,024,000
Other assets	1,080,000	1,089,000
	<u>\$102,219,000</u>	<u>\$100,133,000</u>

Liabilities

Current liabilities:

Notes payable to banks	\$ 3,668,000	\$ 4,666,000
Drillers' fees payable, current maturity	2,436,000	2,080,000
Trade accounts payable	8,029,000	7,957,000
Accrued interest	1,736,000	2,609,000
Other accrued liabilities	7,164,000	6,037,000
Total current liabilities	23,033,000	23,349,000
Notes payable to banks	24,565,000	29,334,000
Drillers' fees payable	5,023,000	6,508,000
Other liabilities, long-term	2,551,000	2,069,000
Total liabilities	55,172,000	61,260,000
Minority interests	2,754,000	2,307,000

Stockholders' Equity

Capital stock:

Preferred stock, 5% cumulative, par value \$20 per share; authorized, issued and outstanding 14,492 shares in 1980	—	290,000
Common stock, par value \$1 per share; authorized 6,000,000 shares, issued and outstanding 2,959,807 shares	2,960,000	2,960,000
Capital in excess of par value	23,244,000	23,265,000
Retained earnings	18,096,000	10,058,000
Less, Common stock in treasury, at cost, 229 shares	(7,000)	(7,000)
Total stockholders' equity	44,293,000	36,566,000
	<u>\$102,219,000</u>	<u>\$100,133,000</u>

See notes to consolidated financial statements.

Statements of Income and Retained Earnings

for the years ended June 30

Revenues:	1981	1980	1979
Sales	\$ 94,111,000	\$90,372,000	\$66,920,000
Service contract fees earned	3,568,000	3,276,000	2,876,000
Other income	2,750,000	1,824,000	1,183,000
	<u>100,429,000</u>	<u>95,472,000</u>	<u>70,979,000</u>
Costs and expenses:			
Cost of sales	64,139,000	68,631,000	58,299,000
Depreciation, depletion and amortization	7,903,000	6,989,000	4,796,000
Exploration and prospecting costs	2,569,000	2,817,000	2,260,000
Selling, general and administrative expenses	8,994,000	6,570,000	5,113,000
Interest expense	6,926,000	7,682,000	4,427,000
Other	407,000	156,000	240,000
	<u>90,938,000</u>	<u>92,845,000</u>	<u>75,135,000</u>
Income (loss) from continuing operations before minority interests and income taxes	9,491,000	2,627,000	(4,156,000)
Minority interests	1,449,000	1,469,000	1,110,000
Income (loss) from continuing operations before income taxes	8,042,000	1,158,000	(5,266,000)
Provision for (reduction in) income taxes	190,000	—	(882,000)
Income (loss) from continuing operations	<u>7,852,000</u>	<u>1,158,000</u>	<u>(4,384,000)</u>
Discontinued operations:			
Reduction of gain on disposal of Titeflex Division	—	—	(373,000)
Income (loss) before cumulative effect on prior years of the change in the inventory valuation method of the Minerals Division	7,852,000	1,158,000	(4,757,000)
Cumulative effect on prior years of the change in the inventory valuation method of the Minerals Division, less applicable taxes of \$303,000	—	—	1,212,000
Income (loss) before extraordinary credit	<u>7,852,000</u>	<u>1,158,000</u>	<u>(3,545,000)</u>
Extraordinary credit — utilization of tax loss carryforwards	190,000	—	—
Net income (loss)	<u>8,042,000</u>	<u>1,158,000</u>	<u>(3,545,000)</u>
Retained earnings at beginning of year	<u>10,058,000</u>	<u>8,919,000</u>	<u>12,488,000</u>
	<u>18,100,000</u>	<u>10,077,000</u>	<u>8,943,000</u>
Cash dividends on preferred stock	4,000	19,000	24,000
Retained earnings at end of year	<u>\$ 18,096,000</u>	<u>\$10,058,000</u>	<u>\$ 8,919,000</u>
Income (loss) per share of common stock:			
Income (loss) from continuing operations	\$2.65	\$.38	\$(1.49)
Loss from discontinued operations	—	—	(.13)
Cumulative effect on prior years of the change in the inventory valuation method of the Minerals Division	—	—	.41
Extraordinary credit — utilization of tax loss carryforwards07	—	—
Net income (loss)	<u>\$2.72</u>	<u>\$.38</u>	<u>\$(1.21)</u>

See notes to consolidated financial statements.

Atlas Corporation and its Subsidiaries

Statements of Changes in Financial Position

for the years ended June 30

	1981	1980	1979
Working capital provided:			
From continuing operations:			
Income (loss) from continuing operations	\$ 7,852,000	\$ 1,158,000	\$ (4,384,000)
Depreciation, depletion, amortization and, in 1979, other charges which did not require use of working capital	7,903,000	6,989,000	4,982,000
Deferred federal income taxes	190,000	—	(579,000)
Gain on sale of property, plant and equipment	(56,000)	(93,000)	(67,000)
	<u>15,889,000</u>	<u>8,054,000</u>	<u>(48,000)</u>
From discontinued operations:			
Reduction of gain on disposal of Titeflex Division ..	—	—	(373,000)
Cumulative effect on prior years of the change in the inventory valuation method of the Minerals Division (net of taxes)	—	—	1,212,000
Proceeds of sale of property, plant and equipment	155,000	115,000	606,000
(Increase) decrease in other assets	9,000	224,000	(19,000)
Increase in deferred taxes payable	—	—	64,000
Increase (decrease) in other liabilities	482,000	180,000	(298,000)
Increase (decrease) in minority interests	447,000	90,000	(455,000)
	<u>1,093,000</u>	<u>609,000</u>	<u>(102,000)</u>
Total working capital provided	<u>\$16,982,000</u>	<u>\$ 8,663,000</u>	<u>\$ 689,000</u>
Working capital used:			
Increase (decrease) in investment in affiliate	\$ 1,494,000	\$ 240,000	\$ (1,734,000)
Additions to property, plant and equipment	6,408,000	4,836,000	22,452,000
(Increase) decrease in notes payable to banks	4,769,000	(7,334,000)	—
Tender offers for preferred stock	—	123,000	102,000
Dividends on preferred stock	4,000	19,000	24,000
Redemption of preferred stock	311,000	—	—
(Increase) decrease in drillers' fees payable	1,485,000	3,447,000	(9,955,000)
Increase (decrease) in working capital (as below)	2,511,000	7,332,000	(10,200,000)
Total working capital used	<u>\$16,982,000</u>	<u>\$ 8,663,000</u>	<u>\$ 689,000</u>
Working Capital Changes			
Current assets:			
Cash	\$ (997,000)	\$ 2,839,000	\$ (1,903,000)
Trade accounts receivable	(5,792,000)	(1,616,000)	5,513,000
Other accounts receivable	(455,000)	528,000	(699,000)
Inventories	8,856,000	(4,376,000)	3,648,000
Prepaid expenses and other current assets	583,000	64,000	(126,000)
Net increase (decrease)	<u>2,195,000</u>	<u>(2,561,000)</u>	<u>6,433,000</u>
Current liabilities:			
Notes payable to banks	(998,000)	(12,334,000)	12,000,000
Drillers' fees payable, current maturity	356,000	780,000	1,300,000
Trade accounts payable	72,000	948,000	502,000
Accrued interest	(873,000)	966,000	1,908,000
Other accrued liabilities	1,127,000	(253,000)	923,000
Net increase (decrease)	<u>(316,000)</u>	<u>(9,893,000)</u>	<u>16,633,000</u>
Increase (decrease) in working capital	<u>\$ 2,511,000</u>	<u>\$ 7,332,000</u>	<u>\$ (10,200,000)</u>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Accounting Policies

Principles of Consolidation and Investment in Affiliate — The accompanying financial statements include the accounts of the Company, its subsidiaries, and a 55% interest in Global Associates, a joint venture. The investment in affiliate, which is accounted for on the equity method, represents the interest that Global Associates has in a Saudi Arabian company (TAFGA) performing industrial support services in the Middle East.

Inventories — Ores and concentrates are stated at the lower of cost, principally average, or market; manufacturing inventories are stated at the lower of first-in, first-out cost or market.

Property, Plant and Equipment — Depreciation at all manufacturing facilities is calculated by the straight-line method. Depletion and amortization of mining properties are based on units of production determined by estimates of recoverable reserves. The milling facilities are depreciated at a composite rate per unit of sale based on the estimated recoverable reserves of the mining properties. Leasehold improvements are amortized on the straight-line basis over the terms of related leases.

Expenditures for maintenance and repairs are charged to income as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are added to the property, plant and equipment accounts. The cost of assets retired, or otherwise disposed of, and related accumulated depreciation are eliminated from the accounts and the related gain or loss is reflected in the statements of income and retained earnings.

The investment tax credit available to the Company is applied against the current tax provision in the year it is usable on a book basis.

Employee Retirement Plans — The Company has several trustee and insured retirement plans covering substantially all permanent employees. The unfunded value of vested benefits for all plans as of June 30, 1980 was \$735,000, computed at 8%. As of June 30, 1980, the actuarial present values of vested and non-vested accumulated plan benefits were \$2,514,000 and \$70,000, respectively, computed at 8%. The value of applicable plan assets was determined to be \$3,063,000 as of June 30, 1980.

The unfunded past service costs of \$883,000 are being amortized over twenty years, utilizing a 6% interest rate. Required contributions to these plans (\$403,000 in fiscal 1981, \$370,000 in fiscal 1980 and \$279,000 in fiscal 1979, including the amortization of the unfunded past service costs of \$79,000 in fiscal 1981, \$82,000 in fiscal 1980 and \$49,000 in fiscal 1979) are charged to income and paid on a current basis.

Exploration — Costs incurred in the search for new mining properties are charged to income when incurred.

Reclamation Expense — On June 1, 1979, in connection with the renewal of a license to operate its Moab, Utah mill, the Company became obligated to stabilize and reclaim its mill tailings pond. Reclamation will take place after the mill is permanently shut down. Reclamation costs are calculated using a rate based on total estimated reclamation costs, units of production and estimates of recoverable reserves. Reclamation expense charged to cost of sales amounted to \$520,000 in fiscal 1981, \$515,000 in fiscal 1980 and \$32,000 in fiscal 1979.

2. Notes Payable to Banks

The Company has a secured credit agreement (the Credit Agreement) with Manufacturers Hanover Trust Company. At June 30, 1981, the Company had outstanding under the Credit Agreement a secured term loan of \$22,000,000 and a secured term loan of \$6,233,000. In addition, \$6,000,000 was available to the Company on a revolving credit basis. In accordance with the Credit Agreement, the secured term loan of \$6,233,000 is repayable in quarterly installments of \$917,000 each, beginning in September, 1981, and the secured term loan of \$22,000,000 is repayable in quarterly installments of \$2,750,000 beginning in September, 1982. All borrowings under the Credit Agreement bear interest at rates of $\frac{1}{2}\%$ to $\frac{3}{4}\%$ above the bank's prime interest rate depending on the amount of total borrowings outstanding. The Company is also required to pay a commitment fee of $\frac{1}{2}$ of 1% per annum on unused portions of the commitment. In addition, the Company has an informal arrangement with the bank whereby it pays a monthly fee computed at the bank's prime interest rate on the amount, if any, by which 10% of the

allowable borrowings under the Credit Agreement exceeds the total of cash balances maintained by the Company with the bank.

The Credit Agreement requires that the Company maintain consolidated tangible net worth of not less than \$30,000,000, consolidated working capital of not less than \$10,000,000 and a current ratio of 1.5 to 1 after excluding any borrowings under the Credit Agreement. In addition, the Company must maintain a ratio of consolidated long-term debt to consolidated tangible net worth of not more than 1.35 to 1 through January 30, 1981, and not more than 1 to 1 thereafter. The Company may not pay cash dividends on its common stock without consent of the bank. Borrowings under the Credit Agreement are secured by liens on substantially all the assets of the Minerals Division.

A subsidiary of the Company has a \$2,500,000 line of credit with another bank which expires on January 31, 1982. Borrowings against this line bear interest at $\frac{1}{4}$ of 1% above the bank's prime interest rate.

The following table sets forth selected information with respect to notes payable by the Company to banks during the fiscal years indicated:

	1981	1980	1979
Maximum notes outstanding at any month-end	\$44,000,000	\$43,000,000	\$39,000,000
Short-term	\$14,666,000	\$23,000,000	\$17,000,000
Average notes outstanding	\$34,325,000	\$40,953,000	\$31,958,000
Short-term	\$ 6,331,000	\$18,311,000	\$ 9,958,000
Weighted average interest rate (1) ...	17.4%	16.1%	11.9%
Effective interest rate at June 30	20.8%	12.8%	12.8%
Compensating balances maintained at June 30 (2)	\$ 1,891,000	\$ 646,000	\$ 1,023,000

(1) Such amounts were computed based on daily outstanding balances.

(2) Withdrawal of such amounts is not legally restricted.

3. Inventories

Inventories consist of the following:

	June 30	
	1981	1980
Manufacturing	\$ 3,024,000	\$ 2,373,000
Ores and concentrates (principally uranium) and related materials	25,191,000	16,986,000
	<u>\$28,215,000</u>	<u>\$19,359,000</u>

Change in the Inventory Valuation Method

Effective July 1, 1978 the Company changed its inventory valuation method for its Minerals Division to include in inventory certain mining costs which were previously expensed when incurred. Such mining costs, which had significantly increased, consist of depreciation on mine-related assets, mine property taxes, and certain mine overhead expenses. Because of the substantial increase in mining costs, the change in method of inventory valuation is preferable in that it more clearly matches costs with revenues.

For the year ended June 30, 1979, the change in the inventory valuation method increased earnings \$843,000 (\$.28 per share) before taking into account the cumulative effect of the change in the inventory valuation method. The cumulative effect on prior years (after reduction for income taxes of \$303,000) of applying retroactively the change in method is \$1,212,000 (\$.41 per share) and such amount is included in income for 1979.

4. Litigation

On May 31, 1978, the Company sold the assets and business of the Titeflex Division, subject to the assumption by the purchaser of certain liabilities and obligations.

Subsequent to the sale, the purchaser informed the Company of its disagreement with the calculation of the price to be paid for the assets sold to it by the Company. In August 1979, an arbitrator appointed in accordance with the terms of the agreement of sale delivered his opinion with respect to the disagreement concerning the calculation of the price. "Reduction of gain on disposal of Titeflex Division", as reflected in the Statement of Income and Retained Earnings for the year ended June 30, 1979 represents an adjustment of the gain recorded in 1978.

In February 1980 the purchaser instituted an action against the Company, the Company's independent accountants, Coopers & Lybrand, and two of Coopers & Lybrand's partners in a Massachusetts State court seeking damages in excess of \$8.8 million which the purchaser claims to have incurred as a result of alleged inaccuracies in connection with the calculation of the sales price for the Titeflex Division and misrepresentation and breach of warranty with respect to certain financial information furnished to the purchaser in connection with the

sale. The Company has denied the allegations in the complaint, has asserted a counterclaim for an undetermined amount arising from the calculation of the sales price and has filed a third-party complaint against, among others, the purchaser's independent accountants, Ernst & Whinney, alleging breach of warranty, misrepresentation and negligence. The Company's third-party complaint seeks contribution in an amount equal to any amount that the purchaser may recover against the Company. Ernst & Whinney has, in turn, asserted a counterclaim against the Company for contribution in an undetermined amount for any damages awarded to Coopers & Lybrand on the basis of another third-party complaint against Ernst & Whinney by Coopers & Lybrand in this action. The Company has denied the allegations in that counterclaim. Pre-trial discovery in connection with these matters has begun. The Company intends to contest vigorously the purchaser's action and to press actively its claims against the purchaser and Ernst & Whinney.

5. Drillers' Fees Payable

"Drillers' fees payable", as reflected in the Balance Sheets as of June 30, 1981 and June 30, 1980, represents the estimated amount owed to certain contract drillers under an amended agreement (the Agreement) for services performed in connection with the development of certain unpatented mining claims owned by the Company. This liability, which will be paid quarterly, was calculated based generally on the quantity of U308 which the Company plans to mine from such mining claims and feed to process through October 1984. While interest is not stated in the Agreement, in accordance with generally accepted accounting principles interest was imputed at a rate of 8% per annum, the generally prevailing rate at the date of the original agreement.

6. Stockholders' Equity

The Company is authorized to issue 1,000,000 shares of Series Preferred Stock, par value \$1.00, issuable in series, with designations, rights and preferences to be fixed by the Board of Directors at the time of issuance; no shares of this class of preferred stock have been issued.

On August 6, 1980, the Board of Directors called all of the outstanding shares of 5% cumulative preferred stock for redemption on September 15, 1980

at the redemption price of \$21.50 per share. The redemption price equaled the \$20 per share par value of the 5% cumulative preferred stock plus the premium of \$1.50 per share required by the Company's Certificate of Incorporation. A final dividend of \$.25 per share was paid on September 15, 1980 to holders of record of 5% cumulative preferred stock at the close of business on September 1, 1980.

To comply with a sinking fund requirement, the Company was obligated annually to offer to purchase at par prior to March 1 the remaining outstanding shares of 5% cumulative preferred stock. Pursuant thereto, 6,150 and 5,080 shares were tendered and purchased with an aggregate par value of \$123,000 and \$102,000, respectively.

During the three years ended June 30, 1981, 1,004,506 shares of the Company's common stock were reserved for option warrants to purchase, at any time, common stock at \$31.25 per share.

There were no changes in issued common stock and treasury stock during the three years ended June 30, 1981.

Capital in excess of par value decreased \$21,000 during the fiscal year ended June 30, 1981 due to the redemption of the 5% cumulative preferred stock. There were no changes in capital in excess of par value during the two years ended June 30, 1980.

7. Employee Incentive Plans

On November 20, 1979, the stockholders of the Company approved the 1979 Key Employee Stock Incentive Plan (the Plan), which provides that key employees may be granted options to purchase an aggregate of 145,000 shares of common stock at the fair value of the shares on the date of grant. Options may become exercisable beginning one year after the date of grant and are exercisable for a maximum term of ten years from the date of grant. No options may be granted after December 31, 1989.

Under the terms of the Plan, the options granted include stock appreciation rights which allow the holder to receive the value of the difference between the exercise price and the fair market value of the stock at date of exercise. Under the Plan, the options and appreciation rights are granted in tandem form whereby the exercise of one cancels the other. The

value of the appreciation rights may be received, at the optionee's election, either in shares of common stock or up to 50% in cash and the remainder in shares of common stock.

On January 3, 1980 options to purchase 72,000 shares of common stock were granted at an exercise price of \$17.50 per share, and on October 15, 1980 options to purchase 7,000 shares of common stock were granted at an exercise price of \$17.125 per share. The exercise prices are equal to the market values of the common stock on the dates of grants. No charges to income were made in fiscal 1981 or 1980 in connection with the Plan.

In accordance with the terms of the Company's Management Incentive Compensation Plan approved by the stockholders in 1968, \$423,000 was provided for awards to employees for fiscal 1981. No provision for awards to employees was made in 1980 or 1979.

8. Earnings Per Share

Earnings per share data are based on the weighted average number of shares of common stock outstanding during each year.

There would not be dilution of earnings per share as a result of the exercise of option warrants or stock options outstanding for fiscal 1981, 1980 or 1979. Preferred dividend requirements were recognized in the computation of earnings per share.

9. Income Taxes

The provision for (reduction in) income taxes consists of the following:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
From continuing operations	\$190,000	\$ —	\$(882,000)
Cumulative effect of the change in the inventory valuation method	<u>—</u>	<u>—</u>	<u>303,000</u>
	<u>\$190,000</u>	<u>\$ —</u>	<u>\$(579,000)</u>

The components of the provision for (reduction in) income taxes are as follows:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Federal:			
Currently payable ..	\$ —	\$ —	\$ —
Deferred	<u>190,000</u>	<u>—</u>	<u>(579,000)</u>
	<u>\$190,000</u>	<u>\$ —</u>	<u>\$(579,000)</u>

The Company files consolidated federal income tax returns. For the purpose of computing income subject to federal income taxes, the Company is allowed statutory depletion deductions in excess of those computed for financial reporting purposes. The Company also uses accelerated depreciation methods and had previously deducted development expenses for federal income tax purposes. Accordingly, at June 30, 1981, the Company had tax operating loss carryforwards substantially in excess of the book loss carryforwards. Both the book loss carryforwards of approximately \$4,887,000 and the tax loss carryforwards expire in 1993, 1994 and 1995, if not previously utilized.

The Company also had book investment credit carryforwards aggregating approximately \$3,488,000 which expire, if not previously utilized, as follows: 1991 — \$295,000; 1992 — \$414,000; 1993 — \$1,040,000; 1994 — \$400,000; 1995 — \$700,000; 1996 — \$639,000. Reconciliation of the provision for income taxes computed at the federal statutory rate to the reported provision for (reduction in) federal taxes is:

	% to Pretax		
	<u>1981</u>	<u>1980</u>	<u>1979</u>
Provision for (reduction in) income taxes at statutory rate	46	46	(48)
Increase (decrease) in rate resulting from:			
Investment tax credit	(9)	—	11
Excess of statutory depletion over book amounts	(35)	(46)	19
Other	<u>—</u>	<u>—</u>	<u>4</u>
	<u>2</u>	<u>—</u>	<u>(14)</u>

The principal factors contributing to the provision for (reduction in) deferred federal income taxes are as follows:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Allowable investment tax credit deferred	\$ —	\$ —	\$ 579,000
Research and development costs	—	—	20,000
Financial reserves and accruals not deductible for tax purposes	—	—	41,000
Excess tax over book depreciation	—	—	(440,000)
Deferred mine development costs	190,000	—	(610,000)
Other	<u>—</u>	<u>—</u>	<u>(169,000)</u>
	<u>\$190,000</u>	<u>\$ —</u>	<u>\$(579,000)</u>

10. Quarterly Financial Data (Unaudited)

	Three Months Ended				
	1980		1981		Total
	September 30	December 31	March 31	June 30	
Sales	\$18,855,000	\$28,842,000	\$26,550,000	\$19,864,000	\$94,111,000
Gross profit before deducting depreciation, depletion and amortization	2,827,000	5,973,000	4,968,000	3,626,000	17,394,000
Depreciation, depletion and amortization	1,186,000	1,936,000	2,468,000	2,313,000	7,903,000
Income before extraordinary credit	1,259,000	3,472,000	1,894,000	1,227,000	7,852,000
Extraordinary credit-utilization of tax loss carryforwards	80,000	222,000	121,000	(233,000) *	190,000
Net income	1,339,000	3,694,000	2,015,000	994,000	8,042,000
Per share data:					
Income before extraordinary credit	\$.42	\$ 1.17	\$.64	\$.42	\$ 2.65
Extraordinary credit-utilization of tax loss carryforwards	.03	.08	.04	(.08) *	.07
Net income	<u>\$.45</u>	<u>\$ 1.25</u>	<u>\$.68</u>	<u>\$.34</u>	<u>\$ 2.72</u>

* Represents an adjustment of previously recorded amounts.

	Three Months Ended				
	1979		1980		Total
	September 30	December 31	March 31	June 30	
Sales	\$20,594,000	\$18,694,000	\$23,330,000	\$27,754,000	\$90,372,000
Gross profit before deducting depreciation, depletion and amortization	1,822,000	1,073,000	2,001,000	4,720,000	9,616,000
Depreciation, depletion and amortization	1,539,000	1,416,000	1,538,000	2,496,000	6,989,000
Net income (loss)	63,000	(796,000)	82,000	1,809,000	1,158,000
Per share data:					
Net income (loss)	<u>\$.02</u>	<u>\$ (.27)</u>	<u>\$.03</u>	<u>\$.60</u>	<u>\$.38</u>

	Three Months Ended				
	1978		1979		Total
	September 30	December 31	March 31	June 30	
Sales	\$17,363,000	\$17,827,000	\$ 9,726,000	\$22,004,000	\$66,920,000
Gross profit (loss) before deducting depreciation, depletion and amortization	2,187,000	2,275,000	(3,977,000)	155,000	640,000
Depreciation, depletion and amortization	1,232,000	1,028,000	982,000	1,554,000	4,796,000
Income (loss) from continuing operations	564,000	817,000	(4,467,000)	(1,298,000)	(4,384,000)
Loss from discontinued operations	—	—	—	(373,000)	(373,000)
Cumulative effect on prior years of the change in the inventory valuation method	1,212,000	—	—	—	1,212,000
Net income (loss)	1,776,000	817,000	(4,467,000)	(1,671,000)	(3,545,000)
Per share data:					
Income (loss) from continuing operations	\$.19	\$.27	\$ (1.51)	\$ (.44)	\$ (1.49)
Loss from discontinued operations	—	—	—	(.13)	(.13)
Cumulative effect on prior years of the change in the inventory valuation method	.41	—	—	—	.41
Net income (loss)	<u>\$.60</u>	<u>\$.27</u>	<u>\$ (1.51)</u>	<u>\$ (.57)</u>	<u>\$ (1.21)</u>

It should be noted that the Company's sales and income for the periods set forth are not necessarily indicative of the results for any future period because revenues from sales of uranium in concentrate may vary significantly between periods depending upon the delivery schedule, product demand and sales prices.

11. Industry segment information

	Natural Resources (Notes b and d)	Shoe Parts	Building Products	Services (Note c)	Other (Note a)	Total
Year ended June 30, 1981						
Revenue from unaffiliated customers ..	\$63,830,000	\$16,538,000	\$13,782,000	\$4,172,000	\$ 2,107,000	\$100,429,000
Income (loss) from continuing operations before income taxes	\$11,753,000	\$ 2,315,000	\$ 875,000	\$1,705,000	\$(8,606,000)	\$ 8,042,000
Extraordinary credit — utilization of tax loss carryforwards	\$ —	\$ —	\$ —	\$ —	\$ 190,000	\$ 190,000
Depreciation, depletion and amortization	\$ 7,196,000	\$ 369,000	\$ 246,000	\$ 30,000	\$ 62,000	\$ 7,903,000
Capital expenditures	\$ 5,258,000	\$ 570,000	\$ 230,000	\$ 277,000	\$ 73,000	\$ 6,408,000
Assets as of June 30, 1981						
Identifiable	\$76,575,000	\$ 6,775,000	\$ 6,427,000	\$9,348,000	\$ 1,409,000	\$100,534,000
Corporate	—	—	—	—	1,685,000	1,685,000
	<u>\$76,575,000</u>	<u>\$ 6,775,000</u>	<u>\$ 6,427,000</u>	<u>\$9,348,000</u>	<u>\$ 3,094,000</u>	<u>\$102,219,000</u>
Year ended June 30, 1980						
Revenue from unaffiliated customers ..	\$60,148,000	\$11,960,000	\$17,365,000	\$3,872,000	\$ 2,127,000	\$ 95,472,000
Income (loss) from continuing operations before income taxes	\$ 6,142,000	\$ 844,000	\$ 1,370,000	\$1,741,000	\$(8,939,000)	\$ 1,158,000
Depreciation, depletion and amortization	\$ 6,212,000	\$ 377,000	\$ 337,000	\$ 13,000	\$ 50,000	\$ 6,989,000
Capital expenditures	\$ 7,453,000	\$ 109,000	\$ 117,000	\$ 26,000	\$ 52,000	\$ 7,757,000
Assets as of June 30, 1980						
Identifiable	\$72,834,000	\$ 5,402,000	\$ 8,077,000	\$8,982,000	\$ 1,197,000	\$ 96,492,000
Corporate	—	—	—	—	3,641,000	3,641,000
	<u>\$72,834,000</u>	<u>\$ 5,402,000</u>	<u>\$ 8,077,000</u>	<u>\$8,982,000</u>	<u>\$ 4,838,000</u>	<u>\$100,133,000</u>
Year ended June 30, 1979						
Revenue from unaffiliated customers ..	\$38,253,000	\$10,400,000	\$17,375,000	\$3,001,000	\$ 1,950,000	\$ 70,979,000
Income (loss) from continuing operations before income taxes	\$(2,159,000)	\$ 408,000	\$ 547,000	\$1,325,000	\$(5,387,000)	\$ (5,266,000)
Cumulative effect on prior years of the change in the inventory valuation method	\$ 1,212,000	\$ —	\$ —	\$ —	\$ —	\$ 1,212,000
Depreciation, depletion and amortization	\$ 4,058,000	\$ 347,000	\$ 335,000	\$ 10,000	\$ 46,000	\$ 4,796,000
Capital expenditures	\$21,870,000	\$ 110,000	\$ 178,000	\$ 11,000	\$ 283,000	\$ 22,452,000
Assets as of June 30, 1979						
Identifiable	\$79,428,000	\$ 5,519,000	\$ 8,103,000	\$8,666,000	\$ 1,199,000	\$102,915,000
Corporate	—	—	—	—	1,938,000	1,938,000
	<u>\$79,428,000</u>	<u>\$ 5,519,000</u>	<u>\$ 8,103,000</u>	<u>\$8,666,000</u>	<u>\$ 3,137,000</u>	<u>\$104,853,000</u>

Note a — In the opinion of the Company, it is not practical to allocate corporate income and expense to the various industry segments except on an arbitrary basis.

	1981	1980	1979
Note b — Revenue from Significant Customers			
Alabama Power Company			\$12,647,000
Boston Edison Company	\$10,650,000	\$ 9,862,000	\$ 9,154,000
Georgia Power Company	\$41,431,000		
Houston Lighting & Power Company			\$ 7,641,000
Nukem, G.m.b.H.		\$19,300,000	
Synatom, S.A.		\$13,278,000	

Note c — Unconsolidated Affiliate of Global Associates net of minority interests
Geographic Location: Saudi Arabia

Equity in the net income	\$ 1,162,000	\$ 842,000	\$ 615,000
Investment in the net assets	\$ 1,296,000	\$ 475,000	\$ 343,000

Note d—Revenues from Natural Resources Product Lines

	1981	1980	1979
Uranium in concentrate	\$ 55,064,000	\$51,775,000	\$31,070,000
Vanadium pentoxide	7,073,000	7,442,000	6,386,000
Royalty and other income	1,693,000	931,000	797,000
	<u>\$ 63,830,000</u>	<u>\$60,148,000</u>	<u>\$38,253,000</u>

12. Mineral Reserve and Price Information (Unaudited)

The following information has been presented in accordance with the Statement of Financial Accounting Standards No. 39 entitled "Financial Reporting and Changing Prices: Specialized Assets — Mining and Oil and Gas" in an effort to help readers assess the amounts, timing, and uncertainties of future cash flows to companies from mining activities. The FASB has characterized this disclosure requirement as experimental in nature. Therefore, the information is not intended to reflect the current values or changes in the current values of mineral reserves.

The Company estimates that its interests in proved ore-bearing properties as of June 30, 1981 were approximately 2,433,000 tons having a per ton average U308 content ranging in grade from approximately 0.08% to 0.52% of economically recoverable U308. During the fiscal year ended June 30, 1981, the Company produced 1,829,000 pounds and 2,361,000 pounds of uranium in concentrate and vanadium pentoxide, respectively. The Company sold 1,490,000 pounds of uranium in concentrate at an average market price of \$36.94 per pound and 2,289,000 pounds of vanadium pentoxide at an average market price of \$3.09 per pound. In some cases

there are outstanding royalty and other interests which increase the costs of production from the Company's reserves. While there are certain claims of third parties which could reduce the rights of the Company in certain of its reserves, the Company believes it has substantially more than a majority interest in all of its principal properties.

The amount and grade of the ore reserves referred to above were computed using sample data obtained at underground workings within developed ore bodies and by using radiometric and chemical data from holes drilled from the surface. Correlation with actual uranium concentration has been established, to the extent possible, by chemical assay and by the amount of U308 contained in ore tonnage processed to date by the Company's mill. The extent to which such ore reserves will be mined depends upon such factors as the nature and extent of the market for uranium in concentrate, mining and milling costs, the clarification of title with respect to certain properties, and other conditions affecting uranium mining, and the ability of the Company to obtain sales on a profitable basis, which conditions cannot be accurately predicted.

13. Supplementary information on changing prices (Unaudited):

Statement of Income from Continuing Operations Adjusted for Changing Prices for the Year Ended June 30, 1981

	As Reported in the Primary Statements	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Current Costs)
Net sales and other operating revenues	\$100,429,000	\$100,429,000	\$100,429,000
Cost of sales	64,139,000	66,284,000	66,673,000
Depreciation, depletion and amortization	7,903,000	9,483,000	9,521,000
Exploration and prospecting costs	2,569,000	2,569,000	2,569,000
Selling, general and administrative expenses	8,994,000	8,994,000	8,994,000
Interest expense	6,926,000	6,926,000	6,926,000
Other expense	407,000	407,000	407,000
	<u>90,938,000</u>	<u>94,663,000</u>	<u>95,090,000</u>
Income from continuing operations before minority interests and income taxes	9,491,000	5,766,000	5,339,000
Minority interests	1,449,000	1,449,000	1,449,000
Income from continuing operations before income taxes	8,042,000	4,317,000	3,890,000
Provision for federal income taxes (not adjusted)	190,000	190,000	190,000
Income from continuing operations	7,852,000	4,127,000	3,700,000
Extraordinary credit—utilization of tax loss carryforwards	190,000	190,000	190,000
Net income	<u>\$ 8,042,000</u>	<u>\$ 4,317,000</u>	<u>\$ 3,890,000</u>
Gain from decline in purchasing power of net amounts owed		\$ 3,605,000	\$ 3,605,000
Excess of increase in general price level over increase in specific prices			<u>\$ 5,210,000</u>

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (In Average 1981 Dollars)

	For Year Ended June 30				
	1981	1980	1979	1978	1977
Net sales and other operating revenues	\$100,429,000	\$106,472,000	\$83,124,000	\$68,688,000	\$75,195,000
Historical cost information adjusted for general inflation					
Income (loss) from continuing operations	\$ 4,127,000	\$ (4,989,000)			
Income (loss) from continuing operations per common share	\$1.39	\$(1.69)			
Net assets at year-end	\$ 77,899,000	\$ 71,603,000			
Cash dividends declared per common share	—	—			
Market price per common share at year-end	14½	13%	22½	16%	35
Average consumer price index	259.4	232.6	221.5	202.7	190.0
Purchasing power gain or loss	\$ 3,605,000	\$ 6,448,000			
Historical cost information adjusted for changes in specific prices					
Income from continuing operations	\$ 3,700,000				
Income from continuing operations per common share	\$1.25				
Excess of increase in general price level over increase in the specific prices	\$ 5,210,000				
Net assets at year-end	\$ 79,218,000				

In accordance with the Statement of Financial Accounting Standards No. 33 entitled "Financial Reporting and Changing Prices", supplementary information has been prepared restating inventory, property, plant and equipment, cost of goods sold, and depreciation, depletion and amortization expense for changes in the Consumer Price Index (CPI) and specific prices up to June 30, 1981. The current cost amounts of inventory and property, plant and equipment as of June 30, 1981 were \$28,828,000 and \$92,301,000, respectively.

The objective of this additional disclosure is to provide information on the most significant effects of inflation on business enterprises, reflected through the constant dollar and current cost presentations above. Financial information that reflects changes in general purchasing power can provide an improved basis for assessing whether an enterprise has maintained the purchasing power of its capital, as is demonstrated above by the gain on net monetary liabilities that are repayable in dollars of diminishing purchasing power. The current cost amounts do not necessarily represent costs which will be incurred in future periods, or the manner in which actual replacement of assets will occur.

Accountants' Report

To the Board of Directors and Stockholders of
ATLAS CORPORATION:

We have examined the consolidated balance sheets of ATLAS CORPORATION and its SUBSIDIARIES as of June 30, 1981 and 1980, and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended June 30, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Atlas Corporation and its Subsidiaries as of June 30, 1981 and 1980, and the results of their operations and the changes in their financial position for each of the three years in the period ended June 30, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

1251 Avenue of the Americas
New York, New York 10020

August 31, 1981

Market Information and Dividends

Common Stock
(Listed on the New York Stock Exchange)

Quarter Ended	1981		1980	
	High	Low	High	Low
September 30	17 ³ / ₈	12 ¹ / ₈	18 ⁷ / ₈	14 ¹ / ₂
December 31	18 ⁵ / ₈	14 ⁵ / ₈	17 ¹ / ₄	13
March 31	18 ⁷ / ₈	14 ¹ / ₂	24 ¹ / ₄	11 ¹ / ₂
June 30	20	14 ³ / ₄	14 ⁵ / ₈	10 ¹ / ₂

No dividends were paid on the Common Stock during 1981 or 1980. At June 30, 1981, there were approximately 32,300 holders of record of the Common Stock.

Five-Year Selected Financial Data

	For Year Ended June 30				
	1981	1980	1979	1978	1977
Net sales and other operating revenues ..	\$100,429,000	\$ 95,472,000	\$ 70,979,000	\$53,674,000	\$55,077,000
Income (loss) from continuing operations ..	\$ 7,852,000	\$ 1,158,000	\$ (4,384,000)	\$ (2,390,000)	\$ 5,205,000
Income (loss) from continuing operations per common share	\$ 2.65	\$.38	\$ (1.49)	\$ (.82)	\$ 1.75
Total assets	\$102,219,000	\$100,133,000	\$104,853,000	\$83,159,000	\$71,194,000
Long-term obligations and redeemable preferred stock	\$ 32,139,000	\$ 38,201,000	\$ 34,257,000	\$25,172,000	\$ 3,638,000
Cash dividends declared per common share ..	—	—	—	—	—

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following comments should be read in conjunction with the Letter to Stockholders from the Chairman of the Board and President on Pages 1 to 3 and the Consolidated Financial Statements and accompanying notes on Pages 4 to 14.

Sales in 1981 reached \$94,111,000, an increase of 4% over 1980. The increase in sales for 1981 was primarily attributable to the natural resources and shoe parts segments of the business, partially offset by the decrease in sales of the building products segment due to reduced commercial and residential construction activity as a result of high interest rates. For 1981, the increase in sales of the natural resources segment was primarily due to a higher sales volume of and higher average sales prices charged for uranium in concentrate, pursuant to sales contracts entered into in prior fiscal years. The Company also charged a higher average sales price for vanadium pentoxide, but this was partially offset by a decrease in pounds of vanadium pentoxide sold. The increase in sales for the shoe parts segment was the result of increased selling prices due to raw material price increases in leather and plastics and increased unit volume due to continued demand for cowboy boot heels and greater demand for components of athletic footwear.

Sales in 1980 increased 35% over 1979. The increase in sales in 1980 was primarily due to a higher sales volume of and higher average price charged for uranium in concentrate sold by the natural resources segment and a higher sales volume of the shoe parts segment. For 1980, only the building products segment did not experience increased sales activity.

Cost of sales decreased in 1981 primarily because of increased efficiency in production at the Company's Moab, Utah uranium and vanadium processing mill. There was an increase in the volume of uranium in concentrate sold, and a reduction in the unit cost of these concentrates. The increased volume of uranium in concentrate sold was partially offset by a decrease in the volume of vanadium pentoxide sold and an increase in the unit cost of vanadium pentoxide sold. The remaining costs and expenses of the Company's uranium and vanadium operations as well as its other busi-

nesses remained relatively stable as a percentage of sales.

Cost of sales increased in 1980 primarily due to the increase in sales volume of the natural resources and shoe parts segments of the Company. The increase in cost of sales was partially offset by a reduction in unit costs of uranium in concentrate resulting from an increase in uranium in concentrate produced.

The Company's net income increased substantially in 1981 and 1980 as a result of the improved results of its natural resources operations described above and the improved results of its shoe parts operations also described above. The Company's sales and income for prior periods are not necessarily indicative of the results for any future period because revenues and profits from sales of uranium in concentrate may vary significantly between periods depending upon the delivery schedule, product demand and sales price.

Working capital provided by operations advanced from \$8,054,000 in 1980 to \$15,889,000 in 1981. Working capital provided by operations in 1979 was \$(48,000). The Company's current ratio was 1.9 to 1 in 1981, 1.8 to 1 in 1980 and 1.3 to 1 in 1979.

The Company's capital expenditures in 1981 were \$6,408,000, compared with \$7,757,000 in 1980 and \$22,452,000 in 1979. In each year, most of these capital expenditures have been for the expansion and improvement of mining and milling operations. In 1982, capital expenditures are expected to be in the range of \$6 million to \$7 million. These expenditures are expected to be principally used for expansion and modernization of the Company's manufacturing and mining facilities. The Company believes it will be able to meet these capital requirements through internally generated funds.

For information regarding the impact of inflation on the Company for the fiscal year ended June 30, 1981 see Note 13 to Consolidated Financial Statements on Page 14. It should be noted that while the revenues of the natural resources segment are not currently impacted by inflation due to long term contracts entered into in prior years, its costs of materials and labor are subject to inflationary pressures as are the revenues and costs of the Company's other segments.



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